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Executive Registry

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DIES

11 April 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Deputy Secretary of Defense
(11 April 1986)

The following subjects were discussed:

1. The problem of leaks was discussed at some length. (AIUO)

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3. Gates laid down a marker on the implementation of the Packard Commission recommendations on net assessment, urging that a global net assessment be avoided and that the problem be divided into several parts, perhaps beginning with NATO-Warsaw Pact. Taft seemed amenable. (C/NF)

4. There was brief discussion of Secretary Weinberger's discussions [redacted] on intelligence cooperation in counterinsurgency efforts. (S/NF)

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5. On the budget, Taft indicated that the Hill had cut Defense another \$1.5 billions for FY-86. There was discussion about the budget process but nothing on the NFIP. (S/NF)

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[redacted]
Robert M. Gates
Deputy Director for Intelligence

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10 April 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director-Designate of Central Intelligence

FROM: SA/DCI

SUBJECT: Meeting with Deputy Secretary of Defense, 11 April 1986

1. You are scheduled to breakfast with Deputy Secretary of Defense Taft at 0745 on 11 April 1986 at the Pentagon.

2. The following agenda items are suggested:

NO TAB Pete Aldridge. Do you want to raise, at this time, prospective replacements for Pete Aldridge as D/NRO?

TAB A Implementing the Packard Commission Recommendation on Net Assessments. As you recall, NSDD-219 directs that the SecDef will recommend procedures for a net assessment of U.S. and Allied Forces vis-a-vis those of possible adversaries to be prepared by the SecDef, the DCI and JCS. You may wish to begin discussions on this subject.

The 1981 DCI/SecDef agreement on net assessments has already put in place procedures to serve as a good model for future net assessments.

A complete force-wide net assessment on an annual basis would be virtually impossible given the manpower requirements. Bob Gates and Larry Gershwin both recommend that the problem be broken down into discrete pieces, such as the NATO/Warsaw Pact assessment the first year, followed by an assessment of Southwest and South Asia, and then perhaps the Far East in the third year.

The basic Soviet data for this effort in the conventional forces arena is available in SOVA's land armaments and manpower model (LMM). This model is coordinated annually with DIA/DB and is the basis for Soviet conventional force projections as well as NIE 11-3/8.

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Larry and Bob also recommend that the approach to this problem be modeled after the 1985 Strategic Net Assessment which was presented in a summary style format of less than 50 pages.

This TAB contains talking points from NIO/SP, a 25 March memo from Bob Gates and a copy of NSDD-219.

- TAB B FY87 NFIP. In the event you wish to raise the budget issue with Taft I have included at this TAB a copy of the material on the same subject from the Poindexter book, including your letter to Congressman Hamilton.
- TAB C Libyan Terrorism. For your background, in the event the subject arises, I have included a copy of the 9 April 86 talking points on this subject prepared by DI/NESA for your talk with the President.
- TAB D Soviet Approach to Military Doctrine. In light of the Packard Report you may wish to point out that CIA is just coming out with a study on how the Soviets develop their military doctrine and force structure. I have included at this TAB a copy of the key judgments from that paper, "The Soviet General Staff: Managing Change in Military Doctrine." The basic points are:
- The Soviet system is highly centralized under the General Staff which has the responsibility and authority to develop broad doctrine and force structure for all branches of the Soviet armed forces.
 - The Soviet General Staff also controls doctrinal development for the non-Soviet/Warsaw Pact armed forces through its control of the Warsaw Pact High Command and Staff.
 - The primary analytical vehicles are the annual and 5-year military science plans prepared and managed by the General Staff which include detailed net assessments of Soviet and prospective enemy forces.

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- Soviet military exercises are an integral part of their military science plans to the extent that these exercises provide a vehicle for the General Staff to study the impact of foreign military developments and to test prospective Soviet countermeasures.
- Lessons learned from Soviet military science research and exercises become important input into Soviet military procurement programs which are also controlled by the General Staff.
- One of the key findings of the CIA study is that emerging military technology (both Soviet and Western) appears to be the primary driver in the development and modification of Soviet military doctrine.



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TAB F Ethnic Problems in Yugoslavia. This TAB contains brief talking points on the growing tensions between Slavs and Albanians in the Yugoslav province of Kosovo from ANIO/EUR. The situation has become nearly explosive with demonstrations, protests and the involvement of dissident Serbian nationalists from outside. The real problem is that the Albanians are victimizing the Serbian minority, thus provoking demonstrations and other illegal acts by the Serbs. The central authorities are in the awkward position of trying to avoid use of the army and police, who are predominantly Serbian and would be sympathetic to the Serbian problems, to suppress the Serbian minority in Kosovo. This situation is just one more indication that the new government of Branko Mikulic, which will come to power in May, will have its hands full dealing with Yugoslavia's domestic problems and external interference simultaneously.

TAB G

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WIO/SP

9 April 1986

DCI TALKING POINTS
(for use with SecDef)

IMPLEMENTING THE PACKARD COMMISSION RECOMMENDATION ON NET ASSESSMENT

- The President, in NSDD-219, has directed that SecDef shall recommend procedures for a net assessment of US and Allied Forces as compared with those of possible adversaries.
 - This will be prepared by SecDef, DCI, and JCS.
- The 1981 DCI-SecDef agreement on net assessments has governed two previous joint net assessments (1983 and 1985) on strategic forces.
 - Procedures in place are a good model for future net assessments: allow for a streamlined, less bureaucratic process.
- A complete, force-wide net assessment on an annual basis would be a very difficult undertaking, at least initially.
 - Therefore, I recommend we break the problem into more manageable, discrete pieces over the first few years of the new process.
 - Our efforts, then, would comprise four separate net assessments relative to the Soviets and their allies: strategic forces, NATO/Warsaw Pact, Southwest and South Asia, and East Asia.
 - These four separate pieces could be done on a rotating basis, either one or (at most) two per year. Because the forces on either side do not change dramatically from one year to the next, this should be adequate for planning purposes.
- I also recommend that we present our joint net assessments in summary-style format (less than 50 pages), rather than a more voluminous, detailed presentation. The 1985 strategic net assessment is a good model.
 - The effort should be managed by a relatively senior individual in each organization, operating fairly autonomously, rather than handled by normal bureaucratic procedures and extensive low-level coordination.
 - The resulting product would be more useful to a high-level audience, similar to the annual SecDef Posture Statement.
 - The greatest value of this approach would be as a frank assessment identifying relative strengths and weaknesses of the US and Soviet Alliances in conflict in these areas, and key trends.

25 MAR 1986

DDI 01564/86

24 March 1986

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MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Deputy Director for Intelligence

SUBJECT: Packard Commission Recommendation on Net Assessment

1. You asked for my thoughts on the Packard Commission recommendation that the Chairman, JCS, with DCI assistance, should prepare a net assessment of the effectiveness of US and Allied forces compared to those of possible adversaries. As you know, we have a 1981 agreement between the DCI and the Secretary of Defense to jointly issue net assessments. The arrangement was used for the 1983 and 1985 strategic net assessments, with the project run jointly by Andy Marshall, Director, Net Assessment, Office of Secretary of Defense, and the National Intelligence Council, in this case, the NIO/SP. I think this arrangement for any future net assessments is preferable to working it with the JCS, as it allows a much more streamlined, less bureaucratic process. I would be very wary of going beyond that to directly involve NSC and State, or it would turn into an Interagency Group bureaucracy product in its worst sense. (S)

2. I think there is a lot of merit in going beyond the strategic force net assessment. Moreover, pressure is mounting from Congress (Les Aspin and Dave McCurdy in particular) for the Executive Branch to provide such assessments to Congress. (They have read the strategic assessment.) There is also some interest in the Senate Armed Services Committee. (S)

3. If we were to conduct some further efforts, the most natural way would be to examine the Soviet peripheral areas with three assessments: NATO/Warsaw Pact, Southwest and South Asia, and East Asia. Any such efforts will be big jobs and impose a significant burden on our analytic resources. In each case, however, the talent exists to be able to conduct our end of such a joint effort. Each would involve SOVA, one or more other DDI offices, NIO/GPF, NIO/USSR, and at least one other NIO; DIA would, of course, be heavily involved as well. Such projects should be sequential; it would be very difficult to carry out all three at once. (S)

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DECL OADR



SUBJECT: Packard Commission Recommendation on Net Assessment

4. There are two obvious alternatives for carrying out such net assessments:

--An extensive, detailed project, arraying a large amount of data and analysis. This would be conducted by an interagency task force, with individual intelligence task force subgroups.

--A small (less than 50 pages) paper with the intelligence effort managed by one relatively senior individual.

5. If we conducted an extensive, rather voluminous net assessment, similar to the size of NIE 11-3/8, for example, the burden would be truly enormous. The CIA end of it might be 4-5 man years for the NATO/WP, 3-4 man years for the others, although these are only rough guesses. Moreover, we would put our best people on it, so that the burden is greater than the numbers would indicate. In fact, it would have a major impact on the DDI research program in the affected area. (S)

6. On the other hand, a summary-style net assessment, while still quite difficult to carry out, could be accomplished with perhaps a 1 man-year effort, more conservatively, 1-2. If such a project were to run for 6-9 months, I would assign a senior analyst or branch chief to draft it, with assistance from the rest of the organization, and senior-level involvement of NIOs and office chiefs as noted earlier. (S)

7. I strongly favor the summary approach. It is less of a burden, but more importantly, it is more useful to a high-level audience. It would not be a prediction of who would win a war in the region, although it would point out the key advantages of one side over the other. Its greatest value, however, would be as a frank assessment identifying relative strengths and weaknesses of the Soviet and US alliances in conflict in these regions, and key trends. Such a paper is difficult to write, but it can be done. Quality would be assured by giving it high-level backing and putting top people on it. (S)

Robert M. Gates

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THE WHITE HOUSE

WASHINGTON

UNCLASSIFIED with
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April 1, 1986

Exec. Registry

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MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE CHAIRMAN, JOINT CHIEFS OF STAFF
THE DIRECTOR, OFFICE OF SCIENCE AND
TECHNOLOGY POLICY
THE ADMINISTRATOR, GENERAL SERVICES
ADMINISTRATION

SUBJECT: Implementation of the Recommendations of the Blue
Ribbon Commission on Defense Management (U)

The President has approved the attached Directive implementing
those recommendations of the Commission on Defense Management
that can be carried out through Executive action.

FOR THE PRESIDENT:



John M. Poindexter

Attachment
NSDD -219

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NSDD 219
NSDD 170

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THE WHITE HOUSE

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WASHINGTON

April 1, 1986

*National Security Decision
Directive Number 219*IMPLEMENTATION OF THE RECOMMENDATIONS OF THE
PRESIDENT'S COMMISSION ON DEFENSE MANAGEMENT (U)

This directive outlines the steps I have approved for the implementation of the initial recommendations of the Commission on Defense Management. I expect the Commission to make additional recommendations which I will evaluate in due course and to elaborate on those it has already made, as required. We must, however, be especially mindful of the need to move quickly and decisively to implement those changes that the Secretary of Defense and I have approved to date. (U)

I. National Security Planning and Budgeting (U)

The current Department of Defense planning, programming, and budgeting system (PPBS) is a sophisticated and effective process for the allocation of defense resources. Effective planning is a key element of PPBS. In striving to achieve the objectives of our five-year defense program within a constrained resource environment, the requirement for stable and effective planning is becoming even more important. The planning process requires that we consider the entire scope of national policies and priorities. (U)

In this regard, I have determined that defense planning should convey the initial guidance from senior civilian and military officials to those required to implement such guidance by: 1) the NSC reviewing our national security strategy to determine if changes are required; 2) strengthening the process through which I provide policy and fiscal guidance to the Department of Defense; and 3) enhancing the role of the Chairman of the Joint Chiefs of Staff in the resource allocation process. (U)

NSDD-32 and supporting documents will be reviewed by the National Security Council to assess the need for any appropriate and necessary modifications. This review will begin as soon as possible and extend no more than 60 days beyond the date of this directive. The NSC will then report to me on the need for any adjustments to current national security strategy. (S)

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The NSC, with the advice and assistance of the Office of Management and Budget, will develop revised schedules and procedures to improve the integration of national security strategy with fiscal guidance provided to the Department of Defense. Toward this end, within 90 days of the date of this directive, the Secretary of Defense shall recommend to the NSC and OMB procedures for: (U)

A) the issuance of provisional five-year budget levels to the Department of Defense. Those budget levels would reflect competing demands on the federal budget and gross national product, and revenue projections; (U)

B) a military strategy to support national objectives within the provisional five-year budget levels. Such strategy would include broad military options developed by the Chairman with the advice of members of the JCS and the Commanders of the Combatant Commands; (U)

* C) a net assessment of U.S. and Allied Forces as compared with those of possible adversaries. This net assessment will be used to evaluate the risks associated with various strategic options. Such net assessment will be prepared by the Secretary of Defense, the Director of Central Intelligence, and the Chairman of the JCS (with the assistance of the Joint Chiefs of Staff); (C) and

D) selection by the President of a military program and the associated budget level. (U)

The NSC and OMB will ensure that such procedures are fully in place prior to the beginning of the budget cycle for Fiscal Year 1989. In the meantime, the Secretary of Defense will ensure that improvements to the planning process, which result from the guidance above, are integrated with the preparation of the Fiscal Year 1988 defense budget to the greatest possible extent. In addition, OMB and DOD will undertake the appropriate steps necessary to produce a two-year defense budget for Fiscal Years 1988-89. (U)

My objective is to improve and stabilize strategic planning at the highest level, so that public and congressional debate can be elevated and brought to bear on these larger questions of defense policy. (U)

II. Military Organization and Command (U)

I fully endorse the recommendations of the Commission concerning military organization and command. To continue to

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strengthen command, control, and military advice, the following measures will be undertaken:

A. Within 90 days of this directive, the Secretary of Defense will report to me concerning changes to appropriate DOD Directives undertaken to increase the effectiveness of communications between the Secretary of Defense and the Combatant Commanders. Such changes shall include improved procedures for the Chairman of the JCS to: (U)

(1) channel the reports of the Combatant Commanders to the Secretary of Defense, subject to the direction of the Secretary, so that the Chairman may better incorporate the views of the Combatant Commanders in his advice to the President and the Secretary; and (U)

(2) channel to the Combatant Commanders the orders of the President and the Secretary of Defense. (U)

B. Within 180 days of the date of this directive, the Secretary of Defense will report to me on revisions made to Joint Chiefs of Staff Publication #2 (Unified Action Armed Forces), the Unified Command Plan, and any other such publications and directives as may be necessary to accomplish the following: (U)

(1) to provide broader authority to the Combatant Commanders to structure subordinate commands, joint task forces and support activities, subject to the approval of the Secretary of Defense; (U)

(2) to provide options in the organizational structure of Combatant Commands to accommodate the shortest possible chains of command consistent with proper supervision and support, which the Secretary of Defense may implement during contingencies short of general war; (U)

(3) to provide increased flexibility to deal with situations that overlap the current geographical boundaries of the Combatant Commands; and (U)

(4) to ensure the continuing responsiveness of the Combatant Commands to current and projected national security requirements. (U)

I also support the recommendation of the Commission that the current statutory prohibition on the establishment of a single Unified Command for transportation be repealed. Assuming this provision of law will be repealed, the Secretary of Defense will take those steps necessary to establish a single Unified Command to provide global air, land, and sea transportation. (U)

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III. Acquisition Organization and Procedures (U)

To continue to improve acquisition management, the following measures will be undertaken:

A. Within 60 days of the date of this directive, in anticipation of the enactment of legislation establishing a level II position of Under Secretary of Defense for Acquisition, the Secretary of Defense will issue a DOD Directive outlining the roles, functions, and responsibilities of the Under Secretary of Defense for Acquisition. The Under Secretary of Defense for Acquisition, who should have a solid industrial background, will serve as the Defense Acquisition Executive. The existing Defense Acquisition Executive will immediately begin implementation of these actions pending the passage of a bill authorizing appointment of a new USD(A) as contemplated by the Packard Commission. The Directive will encompass the following:

- (1) definition of the scope of the "acquisition" function; (U)
- (2) responsibility for setting policy for procurement and research and development; (U)
- (3) supervision of the performance of the entire department acquisition system; and (U)
- (4) policy for administrative oversight of defense contractors. (U)
- (5) develop appropriate guidance concerning auditing of defense contractors. (U)

B. Within 60 days of the date of this directive, in anticipation of enactment of legislation to establish the position of Under Secretary of Defense for Acquisition, the Secretary of Defense will direct the Secretaries of the Military Departments to prepare Military Department Directives establishing Service Acquisition Executives. The Service Acquisition Executives, acting for the Service Secretaries, will appoint Program Executive Officers (PEO) who will be responsible for a reasonable and defined number of acquisition programs. Program managers for these programs would be responsible directly to their respective PEO and report only to him on program matters. Thus, no program manager would have more than one level of supervision between himself and his Service Acquisition Executive, and no more than two levels between himself and the Department of Defense Acquisition Executive. Each Service should retain flexibility to shorten

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this reporting chain even further, as it sees fit. By this means, DOD should substantially reduce the number of acquisition personnel. (U)

C. The Administration should work with the Congress to recodify all federal statutes governing procurement into a single government-wide procurement statute. This recodification should aim not only at consolidation, but more importantly at simplification and consistency. Within 120 days of this directive, the Director of OMB should submit a legislative initiative to me that accomplishes the needed consolidation, simplification and consistency. In preparing this initiative, OMB should work with the DOD and all other appropriate Federal Agencies. (U)

D. Within 60 days the Secretary of Defense shall report to me on measures to strengthen personnel management policies for civilian managers and employees having contracting, procurement or other acquisition responsibilities. (U)

E. Within 45 days of this directive the Secretary of Defense shall establish procedures which call for the Joint Requirements Management Board (JRMB) to be co-chaired by the Under Secretary of Defense (Acquisition) and the Vice Chairman of the JCS. These procedures should call for the JRMB to play an active and important role in all joint programs and in appropriate Service programs by defining weapons requirements, selecting programs for development, and providing thereby an early trade-off between cost and performance. The JRMB will conduct its activities under the general supervision of the Secretary of Defense and in coordination with the Defense Resources Board. (U)

F. Within 90 days after the appointment of the Under Secretary of Defense for Acquisition, the Secretary of Defense shall report to me on measures, already taken or to be taken, to enhance the cost-efficiency, quality, and timeliness of procurements. (U)

IV. Government, Industry, Accountability (U)

Within 90 days of the date of this directive, the Secretary of Defense shall begin implementation and report to me on the implementation of the recommendations of the President's Commission on Defense Management relating to Government/Industry accountability. Steps taken in this regard should not, however, reduce the Department's ability to monitor and audit contractor performance and procedures. (U)

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V. Reporting and Coordination (U)

This NSDD contains numerous actions, plans, and implementation procedures. In order to keep me fully informed on the progress of these events, the Secretary of Defense will advise me regularly on implementation progress. (U)

Ronald Reagan

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DCI/ICS 86-3691

APR 10 1986

MEMORANDUM FOR: Director of Central Intelligence
VIA: Deputy Director of Central Intelligence Designate
Deputy Director of Central Intelligence
FROM: Director, Intelligence Community Staff
SUBJECT: Response to Chairman Hamilton

1. Action Required: Response to Chairman Hamilton's request for the impact of a 10 percent reduction in the FY 1987 NFIP budget. (C)
2. Background: The attached response is a slightly edited version of the draft you reviewed and approved on 8 April. Response is due to Chairman Hamilton by 9 April. (U)
3. Action Requested: That you sign the attached letter to Chairman Hamilton. (U)

[Redacted Signature]

E. A. Burkhalter, Jr.
Vice Admiral, USN

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Attachment:
Ltr to Chairman Hamilton

[Redacted Attachment]

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[Redacted Content]

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SUBJECT: Response to Chairman Hamilton

ICS/PBS [redacted]; 8 Apr. 86)

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Distribution: All w/atts.

Orig. - ER for (DCI & DDCI)

1 - D/ICS

1 - ICS/LL

1 - PBS/CCP [redacted]

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1 - PBS/NRP

1 - PBS/GDIF

1 - PBS/CIAF

1 - PBS/Pearle [redacted]

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1 - PBS [redacted]

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1 - PBS/NIESP [redacted]

1 - PBS Subject (HPSCI File)

1 - PBS Subject (FY 87 Budget)

1 - PBS Chrono

1 - PBS [redacted]

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The Director of Central Intelligence

Washington, D.C. 20505

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The Honorable Lee H. Hamilton, Chairman
Permanent Select Committee on Intelligence
U.S. House of Representatives
Washington, D.C. 20510

Dear Mr. Hamilton:

It is not without difficulty that I respond to your 25 March 1986 letter concerning a 10 percent reduction for the FY 1987 NFIP. A reduction of that size is magnified by the fact that the FY 1987 NFIP already has been reduced by one billion dollars as a result of the internal Executive Branch process to achieve the FY 1987 President's Budget.

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The projected impact of a Gramm-Rudman-Hollings (G/R/H) 10 percent sequestration on each of the NFIP components is enclosed. The arithmetic calculations are relatively straightforward but the selection of projects within the boundaries of a consolidated expenditure center are not. Each program would select where to specifically apply sequestration based upon a variety of factors extant at that time. Circumstances could change the allocation reflected on the attachment. (S)

If a 10 percent reduction were directed, I would strongly oppose a uniform application of the reduction. That approach tends to consign reduced effectiveness to all areas, regardless of priority. I believe that we need to be able to make decisions which minimize the impact on our overall intelligence posture. (S)

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SUBJECT: DCI Ltr to Chairman, HPSCI re 10 Percent Reduction

ICS/PBS/ [REDACTED] 8 Apr. 86)

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Distribution: All w/att.

Copy #1 - Chairman, HPSCI (The Hon. Lee H. Hamilton)

2 - D/NSA (Lt Gen William E. Odom, USAF)

3 - D/NRO (Mr. E. C. Aldridge, Jr.)

4 - D/DIA (Lt Gen Leonard H. Perroots, USAF)

5 - ExDir, CIA [REDACTED]

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6 - DoD/FCI (Mr. John F. Donnelly)

7 - DNI (RADM William O. Studeman, USN)

8 - [REDACTED]

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9 - DOE (Mr. Charles V. Boykin)

10 - FBI (Mr. James H. Geer)

11 - INR/State (Amb. Morton I. Abramowitz)

12 - Treasury (Mr. Douglas P. Mulholland)

13 - NSA/C/P&B [REDACTED]

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14 - NRO [REDACTED]

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15 - D/GDIP Staff [REDACTED]

25X1

16 - CIA/COMPT (Mr. Daniel A. Childs, Jr.)

17 - DoD/FCI (Mr. Ray Pollari)

18 - [REDACTED]

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19 - [REDACTED]

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20 - DOE (Mr. John Hart)

21 - FBI (Mr. Dan Johnson)

22 - INR/State (Mr. Robert MacCallum)

23 - Treasury (Mr. Art Long)

24 - ER (for DCI & DDCI)

25 - D/ICS

26 - ICS/LL

27 - PBS/CCP [REDACTED]

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28 - PBS/NRP [REDACTED]

29 - PBS/GDIP [REDACTED]

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30 - PBS/CIAP [REDACTED]

31 - PBS/Pearls [REDACTED]

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32 - PBS [REDACTED]

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Central Intelligence Agency



Washington, D.C. 20505

Comptroller
Central Intelligence Agency
Washington, D.C. 20505

9 April 1986

NOTE FOR: DCI

ign: -

As I suggested in the attached, you should consider using your response to Hamilton's letter on how to accommodate a 10 percent reduction in the NFIP as the basis for seeking Committee support to limit reductions in Intelligence.

[Redacted Signature]

Daniel A. Childs, Jr.

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LET - MAY 10 - ADANA CARRAN

LOUIS STOKES OHIO
DAVE MICHAEL OKLAHOMA
ANTHONY C. BELINSON CALIFORNIA
ROBERT W. EASTENWILER WISCONSIN
DAN DANIEL VIRGINIA
ROBERT A. BOE NEW JERSEY
GEORGE E. BROWN JR. CALIFORNIA
MATTHEW F. MURPHY NEW YORK
BERNARD J. DWYER NEW JERSEY

BOB STUMP ARIZONA
ANDY WELAND FLORIDA
HENRY J. HYDE ILLINOIS
DICK CHENEY WYOMING
BOB LIVINGSTON LOUISIANA
BOB MICHAEL OHIO

THOMAS E. LATIMER, STAFF DIRECTOR
MICHAEL J. OWEN, CHIEF COUNSEL
STEVEN E. BERRY, ASSOCIATE COUNSEL

U.S. HOUSE OF REPRESENTATIVES

PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

WASHINGTON, DC 20515

March 25, 1986

Honorable William J. Casey
Director of Central Intelligence
Washington, D.C. 20505

Dear Mr. Casey:

The Committee will markup the fiscal year 1987 Intelligence Authorization Bill about April 15.

Congressional review of the overall budget, carried out by the Budget Committees, indicates that reductions of eight to twelve percent in budget authority will be required in the national security budget function. The Intelligence Committee may be expected to offer reductions comparable to those imposed on Defense as a whole.

It would be helpful to the Committee if you would respond by April 7 to the following:

1. If a Gramm-Rudman-Hollings sequestration of ten percent were imposed, what would be the impact on each NFIP program (OCP, CIAP, etc.)?
2. Assume that sequestration is to be avoided by a ten percent Congressional reduction. Most witnesses at our budget hearings have argued that across-the-board reductions are not the best way to reduce the budget. The general theme has been that some programs (particularly hardware-intensive programs) are better reduced by cancelling some programs rather than reducing all. Given this greater flexibility, what changes to the FY 1987 budget would you make to achieve a ten percent reduction? We assume that all projects would not be cut evenly and that the various NFIP programs would not be cut equally.
3. You have argued that intelligence is a high priority activity which must be reduced less than Defense may be reduced overall. Many Members of the Committee agree. However, Committee Members will be faced with the task of trying to support activities largely unknown to other Members in a very limited time and do so in forums which are unclassified. Naturally, other Members and Committees will have high priorities, too. We believe that it will be necessary for the

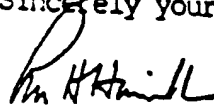
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President or the Secretary of Defense to state in some manner that he wishes intelligence programs protected (to some level which he would define) even at the expense of the rest of the Defense budget. Can such support from the President be expected?

We realize that these are very difficult questions. One witness, responding to question 2 stated that he could not answer because the Congress would have to tell him what it didn't want to buy. The Committee will do that for some items, but we believe you should have the opportunity to provide advice both now and as the budget process continues to unfold.

With best wishes, I am

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Lee H. Hamilton". The signature is stylized with a large initial "L" and "H".

Lee H. Hamilton
Chairman

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC No. 01832-86
9 April 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM:
Assistant National Intelligence Officer for Europe

25X1

SUBJECT: Possible Talking Item for DCI Meeting with Secretary's
Shultz and Weinberger on Yugoslavia

Yugoslavia: Rising Tensions in Kosovo

1. Ethnic strains between Slavs and Albanians in the Province of Kosovo are nearing flash points at a time when events of national significance might compound the embarrassment and confuse the handling of any unrest.

- A new government led by disciplinarian Branko Mikulic comes to power in May and he is already pulling strings from the sidelines on most important issues.
- The party will open its congress on 25 June and will want to contest any unpleasantness as soon as possible.

But the issues are complex and passions are running high and it will take a good deal of skill and luck to avoid violence.

2. The issue this time is the Serb-Montenegrin minority's outrage at mistreatment by Albanians and failures of Albanian officials to offer adequate protection.

- Last week thousands of Serb slavs gathered to protest the arrest of two leaders for political agitation.

3. The crowds were orderly and the police eventually released the arrestees but tensions continue to build.

- 500 Kosovo-Serbs went to Belgrade for an unauthorized march to demand redress of their grievances this week.

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- Others have denounced local Albanian leaders by name for fostering Albanian chauvinism and driving Serbs and Montenegrins into migration.
- The activists are working hand-in-hand with dissident Serb nationalists from outside Kosovo and the risk of a spread of the agitation to Serbia proper is real and growing.

4. So far the authorities have handled the challenges with kid gloves. They have been loathe to call on the police and the military to use force against the Serbs who are real victims, and sentiments in those services run against the Albanians who rioted in 1981 causing considerable bloodshed. But government patience will wear thin if the situation does not cool soon.



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